

AN ACT concerning State audits.

Be it enacted by the People of the State of Illinois,
represented in the General Assembly:

Section 5. The Illinois State Auditing Act is amended by changing Sections 1-12, 1-13, 1-14, 1-16, 2-11, 3-2, 3-3, and 3-6 and by adding Section 1-13.5 as follows:

(30 ILCS 5/1-12) (from Ch. 15, par. 301-12)

Sec. 1-12. Post audit or audit. "Post audit" or "audit" means a post facto examination of books, documents, records, and other evidence relating to the obligation, receipt, expenditure or use of public funds of the State, including governmental operations relating to such obligation, receipt, expenditure, or use. A post audit is a financial audit, a compliance audit or other attestation engagement, or a performance audit ~~a-management-audit-or-a-program-audit~~, as those terms are defined in this Article, or some combination thereof.

(Source: P.A. 78-884.)

(30 ILCS 5/1-13) (from Ch. 15, par. 301-13)

Sec. 1-13. Compliance audit. ~~"Financial--audit"--or~~ "Compliance audit" means an attestation engagement that either examines, reviews, or entails performing agreed-upon procedures on a subject matter or an assertion about a subject matter and reporting on the results. The compliance audit, as appropriate, may address agency management representations, assertions, and supporting evidence regarding ~~a-post-audit-which-determines:~~

(a) whether the audited agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have

been appropriated or otherwise authorized by law;

(b) whether the audited agency has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use;

(c) in the case of a State agency, whether the audited agency has generally complied with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations;

(d) in the case of a State agency, whether the records, books and accounts of the audited agency accurately reflect its financial and fiscal operations;

(e) in the case of a local or private agency, whether the records, books and accounts of the audited agency fairly and accurately reflect its financial and fiscal operations relating to the obligation, receipt, expenditures and use of public funds of the State to the extent such operations must be reviewed to complete post audit determinations under paragraphs (a) and (b) of this Section;

(f) in the case of a State agency, whether the audited agency is maintaining effective internal controls ~~accounting---control~~ over revenues, obligations, expenditures, assets and liabilities;

(g) whether collections of State revenues and receipts by the audited agency are in accordance with applicable laws and regulations and whether the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law;

(h) in the case of a State agency, whether money or negotiable securities or similar assets handled by the audited agency on behalf of the State or held in trust by

the audited agency have been properly and legally administered, and whether the accounting and record keeping relating thereto is proper, accurate and in accordance with law; and

(i) whether financial, program and statistical reports of the audited agency contain useful data and are fairly presented.

Compliance audits are to be performed in accordance with attestation standards issued by the American Institute of Certified Public Accountants (AICPA), related AICPA Statements on Standards for Attestation Engagements, and generally accepted government auditing standards (GAGAS) current at the time the audit is commenced.

(Source: P.A. 78-884.)

(30 ILCS 5/1-13.5 new)

Sec. 1-13.5. Financial audit. "Financial audit" means a post audit primarily concerned with providing reasonable assurance about whether financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles (GAAP), or with a comprehensive basis of accounting other than GAAP. Other objectives of financial audits, which provide for different levels of assurance and entail various scopes of work, may include, as appropriate:

(1) providing special reports for specified elements, accounts, or items of a financial statement;

(2) reviewing interim financial information;

(3) issuing letters for underwriters and certain other requesting parties;

(4) reporting on the processing of transactions by service organizations; and

(5) auditing compliance with regulations relating to federal award expenditures and other governmental

financial assistance in conjunction with or as a byproduct of a financial statement audit.

Financial audits are to be performed in accordance with generally accepted auditing standards issued by the American Institute of Certified Public Accountants (AICPA) for field work and reporting, generally accepted government auditing standards (GAGAS), and AICPA Statements on Auditing Standards (SAS) current at the time the audit is commenced.

(30 ILCS 5/1-14) (from Ch. 15, par. 301-14)

Sec. 1-14. Performance audit. "Performance audit" means an objective and systematic examination of evidence in order to provide an independent assessment of the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and improve public accountability.

Performance audits include management audits, which are also called economy and efficiency audits, and program audits. A program audit addresses the effectiveness of a program and typically measures the extent to which a program is achieving its goals and objectives. An economy and efficiency audit concerns whether an agency is acquiring, protecting, and using its resources in the most productive manner to achieve program objectives. Program audits and economy and efficiency audits may include an assessment of:

(1) the extent to which legislative, regulatory, or organizational goals and objectives are being achieved;

(2) the relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness;

(3) the relative cost and benefits or cost effectiveness of program performance;

(4) whether a program produced intended results or produced effects that were not intended by the program's objectives;

(5) the extent to which programs duplicate, overlap, or conflict with other related programs;

(6) whether the audited entity is following sound procurement practices;

(7) the validity and reliability of performance measures concerning program effectiveness and results or economy and efficiency; and

(8) the reliability, validity, or relevance of financial information related to the performance of a program.

Performance audits may also encompass objectives related to internal control and compliance with legal or other requirements. Performance audits are to be performed in accordance with generally accepted government auditing standards (GAGAS) current at the time the audit is commenced.

"Management--audit",--or--"efficiency-audit"--means--a--post-audit--which--determines--with--regard--to--the--purpose,--functions,--and--duties--of--the--audited--agency;

(a)--whether--the--audited--agency--is--managing--or--utilizing--its--resources,--including--public--funds--of--the--State,--personnel,--property,--equipment--and--space--in--an--economical--and--efficient--manner;--and

(b)--causes--of--inefficiencies--or--uneconomical--practices,--including--inadequacies--in--management--information--systems,--internal--and--administrative--procedures,--organizational--structure,--use--of--resources,--allocation--of--personnel,--purchasing--policies--and--equipment.

(Source: P.A. 78-884.)

(30 ILCS 5/1-16) (from Ch. 15, par. 301-16)

Sec. 1-16. Special audit. "Special audit" means a

financial audit, a compliance audit, or other attestation engagement of limited scope.

(Source: P.A. 78-884.)

(30 ILCS 5/2-11) (from Ch. 15, par. 302-11)

Sec. 2-11. Special assistant auditors.

(a) The Auditor General may contract with certified public accountants licensed and ~~registered-public-accountants certified--or--registered~~ in Illinois, qualified management consultants, attorneys licensed in Illinois, and other persons or firms necessary to carry out his duties. For the purpose of assisting in performance program audits, the Auditor General may contract with any State agency. The Auditor General may contract with other governmental agencies for the conduct of joint audits of a State agency or a portion thereof.

(b) The Auditor General shall adopt rules establishing qualifications for nonlicensed persons with whom he may contract.

(c) The Auditor General may designate any person with whom he contracts as a special assistant auditor for the purpose of conducting a post audit or investigation under his supervision. The Auditor General may delegate his powers and authority respecting post audits and investigations to special assistant auditors other than the power of subpoena, but any delegation of authority to administer oaths or take depositions must be made in writing and limited to a particular audit or investigation.

(Source: P.A. 80-533.)

(30 ILCS 5/3-2) (from Ch. 15, par. 303-2)

Sec. 3-2. Mandatory and directed post audits. The Auditor General shall conduct a financial audit, a compliance audit, or other attestation engagement, as is appropriate to

the agency's operations under generally accepted government auditing standards, of each State agency except the Auditor General or his office at least once during every biennium, except as is otherwise provided in regulations adopted under Section 3-8. The general direction and supervision of the financial audit program may be delegated only to an individual who is a Certified Public Accountant and a payroll employee of the Office of the Auditor General. In the conduct of financial audits, compliance audits, and other attestation engagements, the Auditor General may inquire into and report upon matters properly within the scope of a performance management-or-program audit, provided that such inquiry shall be limited to matters arising during the ordinary course of the financial audit.

In any year the Auditor General shall conduct any special audits as may be necessary to form an opinion on the financial statements report of this State, as prepared by the Comptroller, and to certify that this presentation is in accordance with generally accepted accounting principles for government.

Simultaneously with the biennial compliance ~~financial~~ audit of the Department of Human Services, the Auditor General shall conduct a program audit of each facility under the jurisdiction of that Department that is described in Section 4 of the Mental Health and Developmental Disabilities Administrative Act. The program audit shall include an examination of the records of each facility concerning reports of suspected abuse or neglect of any patient or resident of the facility. The Auditor General shall report the findings of the program audit to the Governor and the General Assembly, including findings concerning patterns or trends relating to abuse or neglect of facility patients and residents. However, for any year for which the Inspector General submits a report to the Governor and General Assembly

as required under Section 6.7 of the Abused and Neglected Long Term Care Facility Residents Reporting Act, the Auditor General need not conduct the program audit otherwise required under this paragraph.

The Auditor General shall conduct a performance management-~~er--program~~ audit of a State agency when so directed by the Commission, or by either house of the General Assembly, in a resolution identifying the subject, parties and scope. Such a directing resolution may:

(a) require the Auditor General to examine and report upon specific management efficiencies or cost effectiveness proposals specified therein;

(b) in the case of a program audit, set forth specific program objectives, responsibilities or duties or may specify the program performance standards or program evaluation standards to be the basis of the program audit;

(c) be directed at particular procedures or functions established by statute, by administrative regulation or by precedent; and

(d) require the Auditor General to examine and report upon specific proposals relating to state programs specified in the resolution.

The Commission may by resolution clarify, further direct, or limit the scope of any audit directed by a resolution of the House or Senate, provided that any such action by the Commission must be consistent with the terms of the directing resolution.

(Source: P.A. 89-427, eff. 12-7-95; 89-507, eff. 7-1-97.)

(30 ILCS 5/3-3) (from Ch. 15, par. 303-3)

Sec. 3-3. Discretionary audits.

The Auditor General may initiate and conduct a special audit whenever he determines it to be in the public interest.

The Auditor General may initiate and conduct an economy and efficiency audit of a State agency or program whenever the findings of a post audit indicate that such an efficiency audit is advisable or in the public interest, if he has given the Commission at least 30 days' prior notice of his intention to conduct the efficiency audit and the Commission has not disapproved of that audit.

The Auditor General may, at any time, make informal inquiries of any agency concerning its obligation, receipt, expenditure or use of State funds, but such an inquiry may not be in the nature of an investigation or post audit.

(Source: P.A. 78-884.)

(30 ILCS 5/3-6) (from Ch. 15, par. 303-6)

Sec. 3-6. Audit Standards. The Auditor General may adopt regulations establishing post audit standards consistent with Sections 1-13, 1-13.5, and 1-14 and ~~1-15~~ of this Act and in accordance with generally accepted government ~~governmental~~ auditing standards. The regulations may specify separate or particular standards applicable only to audits of federal grants, aid or trust funds administered by State agencies in order to comply with applicable federal regulations. Post audit standards established under this paragraph shall govern all post audits conducted by the Auditor General.

The Auditor General may adopt regulations making such standards applicable to financial audits, compliance audits, and other attestation engagements conducted by State agencies of local governmental agencies or private agencies which are grantees or recipients of public funds of the State or of federal funds not constituting public funds of the State through projects administered by that State agency. Notwithstanding any other statute to the contrary, those regulations shall govern the audits to which they are

expressly applicable.

The Auditor General may make regulations providing for the ordinary use of compliance audits conducted by State agencies or by certified public accountants as part of financial audits, if such compliance audits comply with the standards and regulations applicable under this Act.

(Source: P.A. 82-368.)

(30 ILCS 5/1-15 rep.)

Section 10. The Illinois State Auditing Act is amended by repealing Section 1-15.

Section 99. Effective date. This Act takes effect upon becoming law.